

**MINUTES OF THE
ENERGY NORTHWEST
REGULAR EXECUTIVE BOARD
HOLIDAY INN EXPRESS – VINEYARD ROOM
4525 CONVENTION PLACE
PASCO, WASHINGTON
JULY 24 – 25, 2013 – Immediately following the Board of Directors
Meeting but no earlier than 11:00 a.m.**

The regular meeting of the Executive Board of Energy Northwest was called to order by Chair Sid W. Morrison at 12:57 p.m. There was a quorum present. An environmental analysis of the July 24-25 2013, regular Executive Board meeting agenda had been prepared which reflected that all items on the agenda were exempt from further procedural compliance with the State Environmental Policy Act.

ROLL CALL

Sid W. Morrison, Chairman
Dan Gunkel (Wednesday only)
Jack Janda
Skip Orser
Will Purser
Dave Remington
Lori Sanders
Tim Sheldon
Kathy Vaughn

Others Present:

Both days: A. Rapacz, Bonneville Power Administration; Board of Directors members J. Ridge, Asotin County PUD; T. Brewer, Grant County PUD; B. Burke, Jefferson County PUD; L. Gott, Mason County PUD No. 3; S. Houston, Okanogan County PUD; and P. Lusk, City of Port Angeles; and Participants Review Board member S. Nelson, Franklin County PUD.

Wednesday only: K. Black, Bonneville Power Administration; Board of Directors members B. Gordon, Franklin County PUD; R. Skoolrood, Grays Harbor PUD; and D. Thompson, Pacific County PUD; and J. Hammer and I. Martinez, Protiviti.

Staff Present:

Both Days: M. Reddemann, D. Atkinson, D. Briggs, R. Dutton, G. Hettel, P. Lilly, M. Paoli, B. Ridge, B. Sawatzke, A. Smith, L. Willey, and S. Barwick.

Wednesday only: D. Gregoire, and A. Javorik.

Thursday only: L. Scheele, A. Smith, J. Smith, and J. Windham.

Ms. Vaughn led the group in the Pledge of Allegiance.

COMMENTS FROM MEMBERS OF THE PUBLIC

Hearing no comments from members of the public, the next item on the agenda was addressed.

APPROVAL OF MINUTES

The minutes of the following meetings were presented for consideration:

- Regular Executive Board Meeting – June 26 – 27, 2013

Mr. Janda moved that the regular minutes be approved as presented. Ms. Vaughn seconded the joint motion. MOTION CARRIED.

REPORT BY CHIEF EXECUTIVE OFFICER

M. Reddemann, Chief Executive Officer (CEO), reported on the New York financial trip attended by board members M. Daudon, J. Janda, L. Sanders and K. Vaughn, and staff members B. Dutton, B. Ridge, J. Windham and himself. He advised that the meetings with Goldman Sachs, Bank of America Merrill Lynch, J. P. Morgan and Citi were very worthwhile. Agenda topics included discussions on the natural gas market, investor outreach and Energy Northwest's importance to the overall Bonneville Power Administration (BPA) debt portfolio. He indicated that a detailed report will be presented by board attendees later in the meeting.

Mr. Reddemann stated that board members received an email announcing the launch of the newly designed Energy Northwest external website. He encouraged board members to peruse the new website and provide any feedback to the Public Affairs team. He noted that the website will be updated on a regular basis based on agency and industry news so board members should visit the site often.

Mr. Reddemann provided a high level update on asset performance across the organization requested by a few board members. He reviewed the current status of those assets. A brief discussion ensued regarding Columbia's performance indicators.

NUCLEAR OVERSIGHT & SAFETY COMMITTEE REPORTS**CHIEF NUCLEAR OFFICER REPORT**

B. Satawzke, Vice President, Nuclear Generation/Chief Nuclear Officer, stated that the plant is currently operating at 100 percent on the 28th day of the current run; the next refueling outage is scheduled for May 2015. He reported on a solenoid AC valve on the reactor feedwater turbine system which necessitates a down power to 65 percent. The valve will be fixed during a routine downpower to 65 percent in September to perform rod pattern setting. He reported on safety system room cooler maintenance conducted following an inspection performed

during the outage. Staff determined that Columbia's preventative maintenance program on the coolers is not aligned with industry standards; corrective actions are being developed.

Mr. Sawatzke reviewed the Phase III strategic initiatives of supervisor-led organization, predictable performance and successful outage, as follows:

Supervisor-led organization:

- Improve manager and supervisor intrusiveness
- Reinforce standards
- Reinforce behaviors
- Develop supervisors

Predictable performance:

- Manage operational and outage risk

Successful outage:

- Complete all actions from the R-21 post-outage self-assessment

Fukushima Update

D. Swank, Assistant Vice President, Engineering, provided an update on Fukushima requirements. He reported on hardened vent wet well system and drywall vent system regulatory mandates that were issued following the events at Fukushima. He provided an overview of management's decision to design the hardened vent system at Columbia despite the absence of final regulatory requirements.

Mr. Swank reviewed the following other significant activities: spent fuel pool level instrumentation design; seismic hazards analysis; flooding hazards analysis; FLEX (industry term for flexible strategy) building construction request for proposal; seismic walk downs; mitigation analysis work; modifications for mitigation in design phase; regional response center contract signing; simulator model work; coordination and development of emergency operating procedure upgrades; severe accident management guidelines; and emergency support procedures. He noted that there will be training on all of those procedures.

Mr. Swank reported that the project budget is estimated at \$77.5 million for hardened vents, filter, mitigation, FLEX buildings and equipment, spent fuel pool instrumentation and seismic hazards analysis. He indicated that the budget will decrease significantly if filters or drywell vents are not required. He noted that regulatory tier 2 and 3 issues are not included in the projected budget.

Discussion ensued regarding quality related designs and potential changes in requirements during implementation of the mandates.

CNO Report (cont'd)

Mr. Sawatzke stated that it was fortunate that Columbia has Mr. Swank on staff with his engineering/operating experience.

Mr. Sawatzke advised that a Problem Identification and Resolution (PI&R) inspection concluded a couple of weeks ago; interim results are that there are no issues greater than green. A report will be made at a future meeting once the results have been received.

A component design bases inspection (CDBI) will kick off next week. Inspectors will be looking at how equipment at the station is being managed. Staff has done a self-assessment to get ready for the inspection and there is a station team ready to respond to their questions. A report on the results of this inspection will be done at a later date.

Mr. Sawatzke reviewed upcoming events and senior management employee engagements (leadership assessments, CEO recognition lunches, nuclear bargaining unit mediation meetings).

Discussion ensued regarding the nuclear bargaining unit mediation meetings, and mediation and arbitration processes. Mr. Reddemann advised that the union has been very upfront on the issues and there have not been any adverse work issues.

Mr. Sawatzke reviewed the following performance indicators: FY 13 thermal power generation; Columbia monthly performance index (projected to be very closed to top quartile by September); unit capability factor; industry forced loss rate; station and department event-free clock resets; coaching and observation quality; industry safety accident rate; OSHA recordable accident rate; human performance licensee event reports; corrective actions overdue; corrective action backlogs; equipment reliability index; reactivity management; on-line operator aggregate impact; site material condition (corrective critical, corrective non-critical, deficient critical and deficient non-critical backlogs); and on-line scheduling process health.

Discussion ensued with respect to an outage critique. Mr. Sawatzke indicated that that presentation will be done in September.

The meeting was recessed at 2:40 p.m. for a short break; the meeting was reconvened at 2:55 p.m.

REGULATORY UPDATE

D. Gregoire, Regulatory Affairs Manager, reported that Columbia is in the regulatory column 1; all regulatory performance indicators are green at this time. He provided a recap of the FY 2013 regulatory inspections – 24 for the first half of the fiscal year and 10 for the second half, five of which were on cyber security issues.

Mr. Gregoire compared Region IV plants on non-cited violations/findings for FY 2013; Columbia is in the second quartile. He reviewed Columbia's cross-cutting aspect analysis and trending for FY 2013 in the areas of human performance and problem identification and resolution.

Discussion ensued with respect to the potential cross-cutting issue in H.2c (documentation quality), benchmarking efforts, self-identifying issues, and Columbia's corrective actions going forward.

Mr. Remington commended the directness and honesty that staff has with the board members.

CORPORATE NUCLEAR SAFETY REVIEW BOARD UPDATE

Ms. Vaughn advised that the next Corporate Nuclear Safety Review Board (CNSRB) meeting is scheduled for July 30 – August 1. She encouraged other board members to take the opportunity to attend the meetings. She provided a brief overview of the activities of the Operations Committee, which she sits in on.

Executive Board Chair Morrison advised that the board continues having rotational board members attend the CNSRB meetings. He added that if a board member can only attend one day of the meetings, Thursday is the day to participate.

COMMITMENT REVIEW/FORWARD PLANNING

Committee Co-Chair Gunkel stated that it has been about a year since a CNSRB member has reported to the board. He requested that staff work on a CNSRB member presentation at a future meeting. Mr. Atkinson took the action.

The following other commitments were added:

- Problem Identification and Resolution (PI&R) inspection results – Brad Sawatzke – September
- Component design bases inspection (CDBI) inspection results – Brad Sawatzke – TBD

OTHER BUSINESS

Hearing no further business, the meeting was turned over to Audit, Legal & Finance Committee Chair Kathy Vaughn.

AUDIT, LEGAL & FINANCE (ALF) COMMITTEE REPORTS

INFORMATION AGENDA ITEMS

Chair Vaughn advised that information items have been posted to BoardDocs for board members' information.

INTRODUCTION TO PROTIVITI (Administrative Audit Firm)

The meeting was recessed at 3:20 p.m. for a short break; the meeting was reconvened at 3:35 p.m.

Chair Vaughn introduced Ignacio Martinez, Joel Hammer, and Paul Pettit (participating via teleconference) and provided brief bios for each individual.

Mr. Martinez reported that Protiviti is a global consulting firm that helps companies solve problems in finance, technology, operations, governance, risk and internal audit and reviewed the proposed internal audit team structure.

Mr. Hammer advised that the team's focus is on client service. They will ensure the right resources, the right level of commitment and investment, and a flexible approach to service delivery. They are committed to effective communication and teamwork, resource management, quality risk management, continuous improvement, and change management.

Mr. Hammer reviewed the overall approach to internal auditing as a consistent, field tested methodology. The methodology is focused on a no surprise approach, which is robust, flexible and brings a consistent approach to evaluating processes.

Discussion ensued regarding Protiviti's client list and areas of expertise.

Committee Chair Vaughn stated that Mr. Janda is the single point of contact and he report back to her and the Executive Board. Protiviti will attend any meetings that board members want them to attend. She announced that Messrs. Hammer and Martinez will stay for the dinner meeting and board members will have a chance to meet them and talk with them.

FY 2013 STRATEGIC PLAN RESULTS AND FY 2014 COMBINED AUDIT PLAN

Mr. Ridge provided a historical audit overview from FY 2005 thru FY 2013 and advised that a good year for administrative audits was in FY 2006 with four audits. FYs 2011, 2012, and 2013 provided three administrative audits each with two and six internal audits performed in FY 2012 and 2013 respectively.

Mr. Ridge stated that the combined audit plan includes administrative audits, corporate internal audits and internal control process assessments. He reviewed the internal control oversight approach in phases focusing on gaps instead of actual performance:

- 1st phase – design of the audit: audit internal control design effectiveness and identification of control design gaps
- 2nd phase – implement action plans to eliminate internal control design gaps
- 3rd phase – operating audit: audit internal control operating effectiveness and identification of control operation gaps

Mr. Ridge reviewed FY 2013 combined audit results, as follows:

- Administrative audits:
 - Executive compensation (satisfactory)
 - Credit card review (satisfactory with action)
 - Project management (deferred to FY 2014 plan)
 - IT security performance audit (needs improvement)
- Corporate internal audits:
 - Accrual accounting (satisfactory with action)
 - Overtime employee reporting phase 1 of 2 (satisfactory with action)
- Internal control assessments:
 - Debt management (satisfactory with action)
 - Property accountability (needs improvement)
 - Contract process (needs improvement)
 - Accounts payable (satisfactory with action)

Mr. Ridge reviewed the FY 2014 combined audit plan schedule, as follows:

- Administrative audits:
 - Compensation and benefits – Dale Atkinson (TBD)
 - Contracts – vendor initiated agreements and contracts – Dale Atkinson (TBD)
 - Project management – Alex Javorik (TBD)
- Corporate internal audits:
 - Property accountability – Brent Ridge (September – November 2013)
 - Credit card audit follow-up – Dale Atkinson (April – June 2014)
 - Energy/Business Services – Larry Willey (December 2013 – March 2014)
 - Internal controls assessment process (performance) – Brent Ridge (January – February 2014)
- Internal control assessments:
 - Cash management – Brent Ridge (July – September 2013)
 - Manage investments – Brent Ridge (October – December 2013)
 - Inventory accounting – Brent Ridge (January – March 2014)
 - E/BS generation project development – Larry Willey (April – June 2014)

Mr. Ridge thanked the board for their support of the auditing process, and plan and recommended adoption of the FY 2014 Combined Audit Plan.

Executive Board Chair Morrison commended staff and expressed his appreciation that Mr. Janda will be the point of contact for Protiviti.

Committee Chair Vaughn presented the motion (Motion 2013-19) and moved for its adoption as presented:

“IT IS MOVED THAT THE EXECUTIVE BOARD OF ENERGY NORTHWEST HEREBY APPROVES THE ENERGY NORTHWEST FISCAL YEAR 2014 COMBINED AUDIT PLAN.”

Ms. Sanders seconded the motion. Following a brief discussion regarding funds budgeted for the combined audit plan and periodic reports on audit results to board members, Executive Board Chair Morrison called for the question. MOTION 2013-19 ADOPTED UNANIMOUSLY.

Chair Vaughn announced that Messrs. Martinez and Hammer will be joining the Executive Board for dinner. She recessed the ALF Committee Reports until 8:00 a.m. on July 25 and turned the meeting back over to Executive Board Chair Morrison.

Chair Morrison announced that John Steigers will be the guest presenter at tonight's dinner meeting and recessed the Executive Board meeting at 4:23 p.m.

The Executive Board meeting reconvened at 5:30 p.m. for a social and dinner. Chair Morrison called the meeting to order at 6:57 p.m. and welcomed all in attendance.

ROLL CALL:

Sid Morrison, Chair
Jack Janda
Skip Orser
Will Purser
Dave Remington
Lori Sanders
Tim Sheldon
Kathy Vaughn

Others Present: Board of Directors members T. Brewer, Grant County PUD; B. Burke, Jefferson County PUD; L. Gott, Mason County PUD No. 3; J. Ridge, Asotin County PUD; S. Houston, Okanogan County PUD; P. Lusk, City of Port Angeles and D. Thompson, Pacific County PUD; Participants' Review Board member S. Nelson, Franklin County PUD; and S. Sanders, husband of L. Sanders.

Staff Present: M. Reddemann, D. Atkinson, R. Dutton, G. Hettel, A. Javorik, M. Paoli, L. Scheele, B. Ridge, B. Sawatzke, L. Scheele, J. Steigers; L. Willey, and P. Lilly.

Chair Morrison welcomed everyone to the dinner meeting and asked Vice President Larry Willey to introduce John Steigers, Generation Project Developer, presenting on the Nine Canyon Wind Project battery demonstration pilot. Mr. Willey provided a brief biographical sketch of Mr. Steigers sharing that he has been with Energy Northwest for four years and has 27 years of experience in regional energy issues, including 10 years managing biomass and other thermal fuel projects.

Mr. Steigers reported that Powin Energy's battery storage model caught Energy Northwest's interest and has great prospects along with bringing value to the region. For Energy Northwest, being a wind project owner and operator faced with resource integration challenges, this was an opportunity that couldn't be passed up. The 960 lithium ion batteries and its electronics have a 120-kilowatt charge and a 240-kilowatt discharge capacity and can power 100 average homes for approximately hours. The demonstration project is running from January 2013 to September 2014.

Mr. Steigers reviewed the following benefits to Energy Northwest:

- Powin Energy's corporate headquarters are in the region, located in Tualatin, OR; diverse OEM manufacturer; operates mfg. and distr. in US, Mexico, and China.
- The Energy Storage System (ESS) is intended for distributed deployment; commercial and institutional customer sites; "behind the meter".

Discussion ensued regarding battery life, energy in/energy out, and lessons learned from other developers.

Mr. Steigers concluded his presentation by stating that this is an opportunity for Energy Northwest to guide the pilot program and make the results available to its members.

Chair Morrison thanked Mr. Steigers for his presentation and recessed the meeting for the evening at 7:25 p.m.

Respectfully submitted,

P. J. Lilly, Supervisor
Visual Communications

EXECUTIVE BOARD MEETING (cont'd)

Chair Morrison reconvened the meeting at 8:02 a.m. and turned the meeting over to ALF Committee Chair Vaughn.

FY 2013 YEAR-END COST REVIEWS

Mr. Ridge stated that Columbia finished FY 2013 at 0.65 percent under budget – \$2.2 million under the amended combined operations and maintenance (O&M) and capital budget of \$226.2 million. Columbia cost of power on both generation and production was under amended budget projections (generation: actual \$45.06/MWh vs. amended budget of \$45.30/MWh; production: actual \$37.74/MWh vs. amended budget of \$37.76/MWh).

Mr. Ridge noted that some things were done differently this fiscal year and provided brief overviews of the following:

- Increased emphasis and line ownership of estimates at completion
- Implemented project “push/pull” list
- Improved refueling outage financial management through:
 - daily interface between analysts and managers to drive fiscal responsibility
 - improved daily reporting of material cost and returns
 - changed contract terms for submittal of final invoices to improve end-of-year accruals

Mr. Ridge reviewed the FY 2013 financial statement and provided the following summary:

- Columbia finished FY 2013 at \$2.2 million or 65 percent under budget
- Areas for improvement
 - Continue to improve our processes for developing estimates at completion
 - Implement capital labor allocation process
 - Improve peer verification of year-end overhead allocation process
 - Continue to improve discipline in record keeping and documentation
 - Continue to push for earlier identification of material returns

Discussion ensued regarding how management encourages staff to spend their budgets wisely, in the most appropriate ways and still look for improving efficiencies overall. Mr. Ridge advised that staff was looking at the budget daily, scrubbing and implementing changes as needed, and there was a cost reduction strategy to help Columbia achieve top quartile in the budget area. He indicated that a larger component is selecting particular processes to make the total costs lower and noted that there was a big focus on cost efficiency.

Mr. Reddemann added that managers no longer own their budgets, and if budget money is not spent on a project, senior management takes back that money so that it can be invested properly into the plant and the people. Columbia has good processes to manage resources wisely and the ownership has stepped up to ensure that happens.

Additional discussion ensued with respect to how staff approaches tasks, the keys to sustainability, ensuring that managers and supervisors know the expectations of them, and the measures that engender behaviors.

Energy/Business Services

Mr. Windham provided the following year-end cost report for E/BS:

Packwood Lake Hydroelectric Project

- O&M under budget \$123,000

- Capital costs over budget \$123,00 due to cable installation
- Generation exceeded budget by 23 percent
- Cost of power year-to-date: \$20.68/MWh actual vs. \$26.80 budgeted

Discussion ensued regarding budgeting for license renewal and Packwood generation.

Nine Canyon Wind Project

- O&M under budget \$974,000 due to labor support decreases
- Generation under budget by 6 percent – 228.22 gigawatts actual vs. 244.08 budgeted
- Cost of power year-to-date: \$79.18/MWh actual vs. \$79.37 budgeted

Discussion ensued regarding generation and long-term service/warranty contracts.

Business Development Fund

- Achieved positive margin of \$1,153,000
- More work for Seattle City Light at the Boundary Dam and for Grant County PUD at Wanapum and Priest Rapids Dams
- Washington River Protection Solutions and Washington Closure Hanford contract with the Calibrations Lab were extended
- Labor costs were significantly under run across various parts of business development

Discussion ensued regarding Business Development Fund reserves.

APPROVAL OF COLUMBIA LINE OF CREDIT

Mr. Windham presented Action Memorandum No. 1212 requesting Executive Board approval to establish a line of credit with KeyBank in the principal amount of \$93 million. He provided an overview of the background of funding of Columbia capital program and reported on the terms and conditions of the line of credit.

Following a brief discussion with respect to a cushion for unanticipated variances, Mr. Windham advised that staff recommends approval of the line of credit.

Committee Chair Vaughn presented Executive Board Resolution No. 1783, entitled “A RESOLUTION OF THE EXECUTIVE BOARD OF ENERGY NORTHWEST AUTHORIZING A LOAN AGREEMENT WITH KEYBANK NATIONAL ASSOCIATION; ESTABLISHING A LINE OF CREDIT TO FINANCE CAPITAL IMPROVEMENTS AT THE COLUMBIA GENERATING STATION; AND AUTHORIZING THE ISSUANCE OF AN ELECTRIC REVENUE BOND ANTICIPATION NOTE IN THE PRINCIPAL AMOUNT OF NOT-TO-EXCEED \$93,000,000 TO EVIDENCE THE LINE OF CREDIT” and moved for its adoption as presented. Mr. Janda seconded the motion. Executive Board Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1783 UNANIMOUSLY ADOPTED.

NEW YORK FINANCIAL TRIP REPORT

Committee Chair Vaughn provided an overview of the New York financial trip attended by Executive Board members M. Daudon, J. Janda, L. Sanders and herself, and staff members B. Dutton, B. Ridge, J. Windham and M. Reddemann. The group met with four of the top investment banks – Goldman Sachs, J.P. Morgan, Citi, and Bank of America Merrill Lynch. Topics of interest that were discussed: issues factored into the debt extension (Energy Northwest debt is the lowest cost debt for BPA borrowing); levelized debt; and optimized debt; and current markets.

Committee Chair Vaughn commented on the following: markets are adjusting upwards; Energy Northwest will consider a variety of outreach instruments; natural gas prices can stay low for an extended amount of time; any extension program will be done over a long-term basis; and strategies will be fine-tuned over the next few months. She noted that a presentation will be made in the future.

Discussion ensued regarding natural gas prices, debt management strategies,

Mr. Ridge advised that staff is planning a joint workshop of the Executive Board, Board of Directors and Participants Review Board on debt optimization vs. levelization in the January timeframe.

FY 2013 STRATEGIC PLANNING RESULTS

Mr. Ridge reported that the FY 2014 Strategic Plan (SP) was rolled out at the July 10th Management Breakfast and noted that these are the actions that will help drive the lower level initiatives throughout the organization. He commented that management staff is looking forward to better alignment of the boards with the SP.

Mr. Ridge advised that all strategic initiatives were completed on schedule; as a result 12 of 15 performance indicators (PIs) used to measure effectiveness showed that the initiatives were effective. Three of the 15 PIs are yellow or red and actions have been established for each to achieve the desired performance (green PI).

Mr. Ridge reviewed the dashboard SP results for safety, maximizing employee talent, stakeholder trust and confidence, Columbia performance and business development. Each of the owners of the yellow or red PIs provided brief explanations for the shortfalls on their initiatives and corrective actions going forward.

Discussion ensued regarding the Synergy safety survey which is a very well-developed survey and is benchmarkable to industry standards, outage contract execution, and arc-flash events.

Mr. Ridge provided an overview of the FY 2015 strategic planning timeline. Discussion ensued with respect to actions on objectives for FY 2016 and 2017 dashboards. Mr. Ridge indicated that staff is not tracking actions tied to the out years at this time.

The meeting was recessed at 9:42 a.m. for a short break; the meeting was reconvened at 10:03 a.m. and immediately recessed for the purpose of holding a 45-minute Executive Session to discuss the semi-annual Litigation Report update in accordance with RCW 42.30.110.(1)(i). The Executive Session ended at 10:48 a.m. The meeting was immediately recessed for a short break; the meeting was reconvened at 11 a.m.

EXECUTIVE BOARD RESOLUTIONS NOS. 1785 AND 1786

Mr. Dutton presented Executive Board Resolutions Nos. 1875 and 1786 requesting Executive Board adoption of standard form resolutions for the Nuclear Regulatory Commission. He reported that the first resolution is required to identify people that either have L clearances or will soon be processed for L clearances in order to access classified information. This needs to be done each time the clearance is renewed – typically every 5 years.

Mr. Dutton stated that the second resolution identifies representatives of foreign interest which acknowledges the relationship between our CEO and a firm in Canada that he does consulting work for.

Committee Chair Vaughn moved for adoption of the resolutions as presented. Ms. Sanders seconded the motion. Executive Board Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTIONS NOS. 1785 AND 1786 ADOPTED BY UNANIMOUS VOTE.

COMMITMENT REVIEW

No new commitments were added; a previous commitment to have a workshop on debt management is scheduled for January 2014.

ADMINISTRATIVE, ENERGY & MEMBER SERVICES COMMITTEE REPORTS

Chair Tim Sheldon announced that information agenda items are posted on BoardDocs for board member's information.

SIEMENS SITE MAINTENANCE AND WARRANTY AGREEMENT (SMWA)

L. Quiachon, Manager, O&M & Professional Services, presented Action Memorandum No. 1213 requesting Executive Board ratification and approval of the Nine Canyon Wind Project Phase II Service Maintenance, and Warranty Agreement with Siemens Power Generation, Inc. in the not-to-exceed amount of \$14 million. He reported on the scope of the agreement, costs and benefits of extending the current contract. He recommended adoption of the resolution as presented.

Discussion ensued regarding operational risk. Mr. Quiachon advised that everything within the turbine is warranted for the life of the contract.

Chair Sheldon presented Executive Board Resolution No. 1784 entitled, "A RESOLUTION RATIFYING AND APPROVING THE NINE CANYON WIND PROJECT PHASE III SERVICE, MAINTENANCE, AND WARRANTY AGREEMENT WITH SIEMENS POWER GENERATION, INC." and moved for its adoption as presented. Ms. Vaughn seconded the motion. Executive Board Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1784 ADOPTED BY UNANIMOUS VOTE.

ENERGY/BUSINESS SERVICES – THE FIRST 90 DAYS

Chair Sheldon announced that since everyone was in attendance at the Board of Directors meeting yesterday and heard this presentation, the next item on the agenda will be addressed.

MEMBER FORUM FEEDBACK

Mr. Willey and L. Scheele, Member Relations Program Manager, provided a joint presentation on Member Forum feedback. Comments were synthesized into five focus areas that were priorities for utility members:

- Build member confidence; maintain visible interaction at PUD level
- Investigate regional conservation/demand response
- Plan for future need by banking technologies and sites
- Consolidate buying power for common purchases
- Assist with talent recruitment and retention systems

In response to what was heard from member utilities, the following corrective actions were developed:

- CEO and VP visits to members and association meetings
- Energy Northwest Demand Response Team – submitted pilot project proposal to BPA
- Energy Northwest partnering on NuScale small modular reactor (SMR) proposal
- Assess opportunities to serve as consolidated buyer
- Proposed 2014 member forum sessions on talent recruitment and retention

Mr. Willey stated that the bottom line is building member confidence and providing safe, reliable renewable power to the region.

Mr. Paoli introduced Laura Scheele and provided a brief bio.

Mr. Janda commented that Mr. Willey attended the WPUDA meeting in Clarkston and did a good job of providing information about the direction in which E/BS is going. Mr. Willey also asked meeting attendees to be given a chance to demonstrate what E/BS can do.

COMMITMENT REVIEW/FORWARD PLANNING

No new commitments were added.

OTHER BUSINESS

Hearing no other business, the meeting was recessed at 11:40 a.m. for lunch; the meeting was reconvened at 11:58 a.m.

EB MEETING CONTINUED

MEETINGS

Executive Board Chair Morrison announced that the next scheduled Executive Board meeting is the August Workshop meeting being held at Alderbrook beginning at 8 a.m. on Wednesday, August 21.

Mr. Sheldon advised that there will be legislators joining the workshop meeting at lunch and dinner on Wednesday. In addition, the managers and commissions from the local PUDs (Mason #1 and #3) have been invited to his cabin for dinner on Thursday evening.

Mr. Reddemann reminded board members that the interview follow-up surveys are to be returned to Mr. Tarbert by August 2.

OTHER BUSINESS

Mr. Rapacz reported that it is the end of runoff season and runoff is currently at 97 percent of normal. He noted that no oversupply management protocol has been necessary. Discussion ensued regarding the oversupply management protocol program.

Executive Board Chair Morrison announced that Steve Wright has been named the new manager of Chelan County PUD.

MEETING CRITIQUE

Hearing no further discussion, Executive Board Chair Morrison thanked everyone for attending, wished attendees a safe journey home and adjourned the meeting at 12:10 p.m.

Respectfully submitted by,

Susan L. Barwick
Board Relations Specialist